

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	VILLAGE OF LAURIUM	County	HOUGHTON	Type	VILLAGE	MuniCode	31-3-040
Opinion Date-Use Calendar	Jul 18, 2008	Audit Submitted-Use Calendar	Jul 30, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="Qualified"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 978,538.00
General Fund Expenditure:	\$ 873,266.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 345,887.00
Governmental Activities Long-Term Debt (see instructions):	\$ 320,060.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	JACKIE	Last Name	AALTO	Ten Digit License Number			1101022394
CPA Street Address	200 FIFTH ST., STE. 104	City	CALUMET	State	MI	Zip Code	49913
CPA Firm Name	JACKIE A. AALTO, CPA	Unit's Street Address	310 HECLA STREET	City	LAURIUM	LU Zip	49913

VILLAGE OF LAURIUM, MICHIGAN
Houghton County

FINANCIAL REPORT

Year Ended February 29, 2008

VILLAGE OF LAURIUM, MICHIGAN
FINANCIAL REPORT
Year Ended February 29, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Laurium, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Laurium, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Laurium, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The procedures used to collect cash receipts from sales and admissions at fund raising events and the lack of evidential matter with respect to those cash receipts, do not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements.


In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to examine sufficient evidence regarding cash receipts described in paragraph three above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Laurium, Michigan as of February 29, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 18, 2008, on my consideration of the Village of Laurium, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 36 through 41, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Laurium, Michigan's basic financial statements. The accompanying other supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jackie A. Aalto, CPA

Calumet, Michigan
July 18, 2008

VILLAGE OF LAURIUM, MICHIGAN

Management's Discussion and Analysis

The management of the Village of Laurium, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2008 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements. Management provides three main topics for discussion and analysis. They are Financial Highlights, Overview of the Financial Statements, and Government-Wide Financial Analysis.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of this fiscal year by \$3,045,475 (*net assets*). Governmental Funds represented \$2,257,648 of this total, while business-type activities accounted for \$787,827 of this total.
- The Village's total net assets increased \$89,673.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, highways and streets, sanitation, economic development and culture and recreation. The business-type activities of the Village include recreation, sanitation and the leasing of the water system.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains ten individual governmental funds. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street, Local Street, Municipal Street, Public Ordinance #114 and Public Improvement Funds, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

Proprietary funds. There are two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Multi-Recreation, Sanitation and Water Funds operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Multi-Recreation, Sanitation and Water Funds, all of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Village has no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that explains and supports the information presented in the financial statements. This information can be found on pages 36 - 41 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 43 and 44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceed liabilities by \$3,045,475 at the close of the most recent fiscal year.

A large portion of the Village's net assets (48%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Laurium, Michigan's Net Assets (in thousands of dollars)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 1,302.5	\$ 1,319.6	\$ 376.8	\$ 310.6	\$ 1,679.3	\$ 1,630.2
Capital assets	<u>1,354.5</u>	<u>1,334.6</u>	<u>435.4</u>	<u>465.9</u>	<u>1,789.9</u>	<u>1,800.5</u>
Total assets	<u>2,657.0</u>	<u>2,654.2</u>	<u>812.2</u>	<u>776.5</u>	<u>3,469.2</u>	<u>3,430.7</u>
Long-term liabilities outstanding	347.3	380.5			347.3	380.5
Other liabilities	<u>52.1</u>	<u>67.2</u>	<u>24.4</u>	<u>27.2</u>	<u>76.5</u>	<u>94.4</u>
Total liabilities	<u>399.4</u>	<u>447.7</u>	<u>24.4</u>	<u>27.2</u>	<u>423.8</u>	<u>474.9</u>
Net assets:						
Invested in capital assets, net of related debt	1,034.5	1,165.3	435.4	465.9	1,469.9	1,631.2
Restricted	686.4	747.5			686.4	747.5
Unrestricted	<u>536.7</u>	<u>293.7</u>	<u>352.4</u>	<u>283.4</u>	<u>889.1</u>	<u>577.1</u>
Total net assets	<u>\$ 2,257.6</u>	<u>\$ 2,206.5</u>	<u>\$ 787.8</u>	<u>\$ 749.3</u>	<u>\$ 3,045.4</u>	<u>\$ 2,955.8</u>

An additional portion of the Village's net assets (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$889,168) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

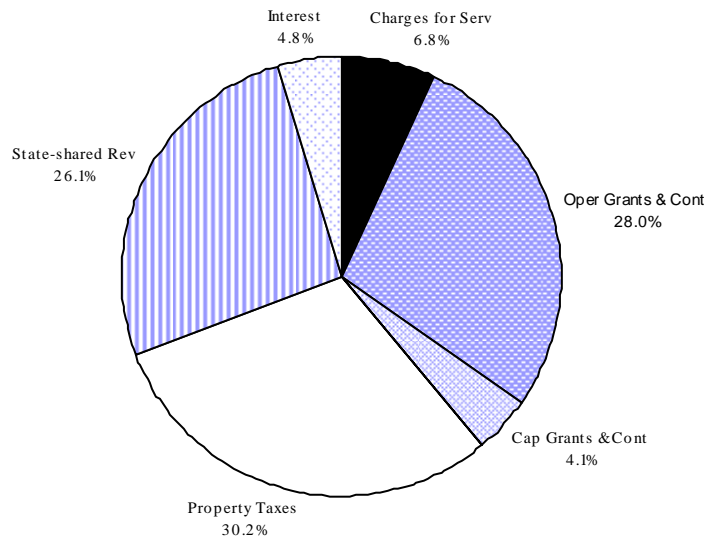
The Village's net assets did increase by \$89,673 during the current fiscal year. Key elements of this increase are as follows:

Village of Laurium, Michigan's Changes in Net Assets
(in thousands of dollars)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 76.6	\$ 65.0	\$ 182.4	\$ 185.1	\$ 259.0	\$ 250.1
Operating grants and contributions	312.8	310.6	9.8	10.0	322.6	320.6
Capital grants and contributions	45.7	320.6			45.7	320.6
General revenues:						
Property taxes	338.2	328.9	46.4	49.2	384.6	378.1
State-shared revenues	291.5	298.7			291.5	298.7
Interest	<u>53.9</u>	<u>51.4</u>	<u>15.4</u>	<u>11.6</u>	<u>69.3</u>	<u>63.0</u>
Total revenues	<u>1,118.7</u>	<u>1,375.2</u>	<u>254.0</u>	<u>255.9</u>	<u>1,372.7</u>	<u>1,631.1</u>
Expenses:						
General government	181.0	202.6			181.0	202.6
Public safety	396.0	379.7			396.0	379.7
Highways & street	250.1	181.3			250.1	181.3
Public works	201.2	200.3			201.2	200.3
Parks & recreation	7.4	13.1			7.4	13.1
Interest on long-term debt	15.9	17.4			15.9	17.4
Multi-recreation			68.2	57.5	68.2	57.5
Sanitation			143.9	156.3	143.9	156.3
Water	<u></u>	<u></u>	<u>19.4</u>	<u>19.4</u>	<u>19.4</u>	<u>19.4</u>
Total expenses	<u>1,051.6</u>	<u>994.4</u>	<u>231.5</u>	<u>233.2</u>	<u>1,283.1</u>	<u>1,227.6</u>
Increase in net assets before transfers	67.1	380.8	22.5	22.7	89.6	403.5
Transfers	<u>(16.0)</u>	<u>(9.0)</u>	<u>16.0</u>	<u>9.0</u>	<u></u>	<u></u>
Increase in net assets	51.1	371.8	38.5	31.7	89.6	403.5
Net assets – Beginning	<u>2,206.5</u>	<u>1,834.7</u>	<u>749.3</u>	<u>717.6</u>	<u>2,955.8</u>	<u>2,552.3</u>
Net assets – Ending	<u>\$ 2,257.6</u>	<u>\$ 2,206.5</u>	<u>\$ 787.8</u>	<u>\$ 749.3</u>	<u>\$ 3,045.4</u>	<u>\$ 2,955.8</u>

Governmental Activities. The following two charts highlight the Village's governmental activities by revenue and expenses. The data referenced is found on page 13.

Revenues-Governmental Activities

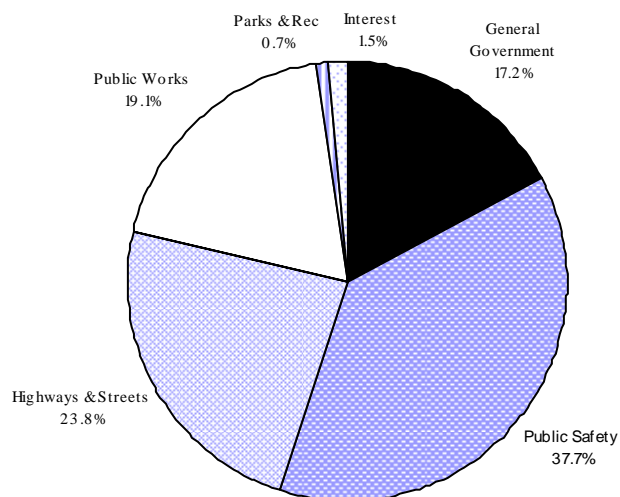


Property taxes are a major source of revenue. The Village's operating millage in 2008 was 18.8027, which includes .9681 mills for extra snow removal and 1.0000 mills for fire debt. These are extra voted mills. The Village's charter allows the Village to levy up to 12.5 mills for general operations, 5.0 mills for streets, and 3.0 for garbage. Due to State of Michigan statutes, the Village is at its maximum tax levy, and is unable to increase the mills without the approval of the voters.

A significant portion of the revenue for all governmental activities of the Village comes from Operating Grants & Contributions. This figure includes Michigan Transportation Fund (Act 51) money for the Major and Local Street Funds. Components of some Act 51 funding have started to trend downward.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2008, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary cuts by the State in revenue sharing payments.

Expenditures-Governmental Activities



The Village's governmental activities are dominated by highways & streets and public safety. This is due to heavy snow removal activities. The Public Works category includes maintenance support activities for snow removal operations. The Public Safety portion includes police and fire departments operations. The general government percentage represents town hall activities.

Business-type activities. Business type-activities increased the Village's net assets by \$38,502. The Multi-Recreation Fund accounts for ice arena, Daniell Park concert series, baseball, and other activities where a fee is charged or could be charged to offset recreation program expenses. The Sanitation Fund accounts for garbage pickup, spring and fall cleanup, brush, furniture, metal and Christmas tree disposal. The Village of Laurium is noted for its high level of garbage services. The Water Fund accounts for the leasing of the water system. To date, the Village has completed three major water projects and is currently planning for the next major upgrade.

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,245,223. Approximately 44% of this total amount (\$543,974) constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to pay debt service and for a variety of other purposes.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$335,601, while total fund balance was \$345,887. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 38% of total General Fund expenditures, while total fund balance represents 40% of that same amount.

The fund balance of the Village's General Fund did increase by \$48,522 during the current fiscal year.

General Fund Budgetary Highlights

During the year there was a \$79,395 increase in appropriations between the original and final amended budget. The increase was mainly due to an increase in public works expenditures and transfers to other funds.

Capital Asset and Debt Administration

The Village of Laurium's investment in capital assets for its governmental activities as of February 29, 2008 amounts to \$1,354,516 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads.

Major capital asset events during the current fiscal year included the following:

- Isle Royale Street reconstruction project for \$69,769.
- All major planning is completed for a reconstruction project on Lake Linden Avenue. Work to be completed in 2008. Total project is projected at \$173,055 with \$16,805 being the Village's share.

Long-term debt for the Village includes 2001 MI Transportation Fund bonds and Rural Development loan for the Police Vehicle/Fire Truck purchase, with balances outstanding at February 29, 2008 of \$166,000 and \$154,060, respectively.

Contacting the Village of Laurium Management

This financial report is intended to provide our taxpayers, creditors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions regarding this report or need additional financial information regarding the money entrusted to the Village, as always, please feel free to contact us at the Village of Laurium, P.O. Box 627, Laurium, MI 49913-0627 or contact, Edward M. Vertin, the Chief Financial Officer at (906) 337-1600.

VILLAGE OF LAURIUM, MICHIGAN

Statement of Net Assets

February 29, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 1,075,084	\$ 342,629	\$ 1,417,713
Receivables, net	209,600	30,742	240,342
Internal balances	(169)	169	
Inventories	4,484	3,315	7,799
Prepays	10,286		10,286
Deferred charges	3,199		3,199
Capital assets not being depreciated	54,055	5,500	59,555
Capital assets, net of accumulated depreciation	<u>1,300,461</u>	<u>429,872</u>	<u>1,730,333</u>
Total Assets	<u>2,657,000</u>	<u>812,227</u>	<u>3,469,227</u>
Liabilities			
Accounts payable & other current liabilities	49,742	14,675	64,417
Accrued interest payable	2,344		2,344
Unearned revenue		9,725	9,725
Noncurrent liabilities:			
Due within one year	26,000		26,000
Due in more than one year	<u>321,266</u>		<u>321,266</u>
Total Liabilities	<u>399,352</u>	<u>24,400</u>	<u>423,752</u>
Net Assets			
Invested in capital assets, net of related debt	1,034,456	435,372	1,469,828
Restricted for:			
Highways & streets	433,683		433,683
Loans & contingencies	252,147		252,147
Debt service	649		649
Unrestricted	<u>536,713</u>	<u>352,455</u>	<u>889,168</u>
Total Net Assets	<u>\$ 2,257,648</u>	<u>\$ 787,827</u>	<u>\$ 3,045,475</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAURIUM, MICHIGAN

Statement of Activities

Year Ended February 29, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary Government							
Governmental Activities							
General government	\$ 181,035	\$ 19,703	\$	\$	\$ (161,332)	\$	\$ (161,332)
Public safety	396,009	3,368	5,587		(387,054)		(387,054)
Highways & streets	250,064		307,183	45,664	102,783		102,783
Public works	201,199	53,517			(147,682)		(147,682)
Parks & recreation	7,448				(7,448)		(7,448)
Interest on long-term debt	<u>15,883</u>				<u>(15,883)</u>		<u>(15,883)</u>
Total Governmental Activities	<u>1,051,638</u>	<u>76,588</u>	<u>312,770</u>	<u>45,664</u>	<u>(616,616)</u>		<u>(616,616)</u>
Business-type Activities							
Multi-Recreation	68,229	32,564	9,617			(26,048)	(26,048)
Sanitation	143,914	99,341	226			(44,347)	(44,347)
Water	<u>19,403</u>	<u>50,494</u>				<u>31,091</u>	<u>31,091</u>
Total Business-type Activities	<u>231,546</u>	<u>182,399</u>	<u>9,843</u>			<u>(39,304)</u>	<u>(39,304)</u>
Total Primary Government	<u>\$1,283,184</u>	<u>\$ 258,987</u>	<u>\$ 322,613</u>	<u>\$ 45,664</u>	<u>(616,616)</u>	<u>(39,304)</u>	<u>(655,920)</u>
General Revenues							
Property taxes					338,252	46,417	384,669
State-shared revenues					291,557		291,557
Unrestricted investment earnings					53,960	15,407	69,367
Transfers					<u>(15,982)</u>	<u>15,982</u>	
Total General Revenues and Transfers					<u>667,787</u>	<u>77,806</u>	<u>745,593</u>
Change in Net Assets							
Net Assets – Beginning					51,171	38,502	89,673
					<u>2,206,477</u>	<u>749,325</u>	<u>2,955,802</u>
Net Assets – Ending					<u>\$ 2,257,648</u>	<u>\$ 787,827</u>	<u>\$ 3,045,475</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAURIUM, MICHIGAN

**Balance Sheet
Governmental Funds**

February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Municipal Street</u>	<u>Public Ordinance #114</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets								
Cash	\$ 288,298	\$ 8,072	\$ 49,557	\$ 276,853	\$ 243,273	\$ 149,076	\$ 59,955	\$ 1,075,084
Receivables, net:								
Current tax levy	620			307			60	987
Delinquent taxes	2,834			1,388			258	4,480
Accounts	18,368							18,368
Due from other funds	22,032		32	11,504			22	33,590
Intergovernmental receivables	55,241	86,269	44,255					185,765
Inventories				4,484				4,484
Prepays	10,286							10,286
Advance to other fund					8,874			8,874
Total Assets	<u>\$ 397,679</u>	<u>\$ 94,341</u>	<u>\$ 93,844</u>	<u>\$ 294,536</u>	<u>\$ 252,147</u>	<u>\$ 149,076</u>	<u>\$ 60,295</u>	<u>\$ 1,341,918</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 25,202	\$ 146	\$	\$	\$	\$	\$ 100	\$ 25,448
Contracts payable		4,280						4,280
Accrued liabilities	13,346	4,187	2,481					20,014
Due to other funds	1,638	18,861	13,260					33,759
Deferred revenue – taxes	2,732			1,339			249	4,320
Advance from other fund	8,874							8,874
Total Liabilities	<u>51,792</u>	<u>27,474</u>	<u>15,741</u>	<u>1,339</u>			<u>349</u>	<u>96,695</u>
Fund Balances								
Reserved for:								
Prepaid expenses	10,286							10,286
Highways & streets		66,867	78,103	288,713				433,683
Inventories				4,484				4,484
Loans & contingencies					252,147			252,147
Debt service							649	649
Unreserved, undesignated reported in:								
General Fund	335,601							335,601
Special Revenue Funds						149,076	59,297	208,373
Total Fund Balances	<u>345,887</u>	<u>66,867</u>	<u>78,103</u>	<u>293,197</u>	<u>252,147</u>	<u>149,076</u>	<u>59,946</u>	<u>1,245,223</u>
Total Liabilities and Fund Balances	<u>\$ 397,679</u>	<u>\$ 94,341</u>	<u>\$ 93,844</u>	<u>\$ 294,536</u>	<u>\$ 252,147</u>	<u>\$ 149,076</u>	<u>\$ 60,295</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,354,516

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 4,320

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds and loan payable	\$ (320,060)	
Deferred amount on issuance costs	3,199	
Accrued interest on bonds	(2,344)	
Compensated absences	(27,206)	(346,411)

Net assets of governmental activities \$ 2,257,648

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAURIUM, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year Ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Municipal Street</u>	<u>Public Ordinance #114</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues								
Taxes	\$ 201,712	\$	\$	\$ 119,093	\$	\$	\$ 18,837	\$ 339,642
Licenses & permits	285							285
Intergovernmental revenues:								
Federal	1,148	45,664						46,812
State	293,152	220,460	86,723					600,335
Charges for services	50,702							50,702
Fines & forfeits	3,368							3,368
Interest & rents	329,170	4,972	2,925	20,051	12,304	6,442	2,714	378,578
Other revenues	<u>99,001</u>						<u>2,844</u>	<u>101,845</u>
Total Revenues	<u>978,538</u>	<u>271,096</u>	<u>89,648</u>	<u>139,144</u>	<u>12,304</u>	<u>6,442</u>	<u>24,395</u>	<u>1,521,567</u>
Expenditures								
Current								
General government	68,622	10,040	6,985	1,365	1,095	940	400	89,447
Public safety	221,001						2,332	223,333
Highways & streets		247,925	210,121					458,046
Public works	197,311							197,311
Parks & recreation	4,671							4,671
Other	381,180							381,180
Debt service								
Principal							29,221	29,221
Interest	481						15,624	16,105
Capital outlay		<u>76,524</u>				<u>21,118</u>	<u>9,083</u>	<u>106,725</u>
Total Expenditures	<u>873,266</u>	<u>334,489</u>	<u>217,106</u>	<u>1,365</u>	<u>1,095</u>	<u>22,058</u>	<u>56,660</u>	<u>1,506,039</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>105,272</u>	<u>(63,393)</u>	<u>(127,458)</u>	<u>137,779</u>	<u>11,209</u>	<u>(15,616)</u>	<u>(32,265)</u>	<u>15,528</u>
Other Financing Sources (Uses)								
Transfers in		90,000	162,000			34,500	45,643	332,143
Transfers out	<u>(56,750)</u>	<u>(37,850)</u>	<u>(16,650)</u>	<u>(220,000)</u>			<u>(16,875)</u>	<u>(348,125)</u>
Total Other Financing Sources (Uses)	<u>(56,750)</u>	<u>52,150</u>	<u>145,350</u>	<u>(220,000)</u>		<u>34,500</u>	<u>28,768</u>	<u>(15,982)</u>
Net Change in Fund Balances	48,522	(11,243)	17,892	(82,221)	11,209	18,884	(3,497)	(454)
Fund Balances - Beginning	<u>297,365</u>	<u>78,110</u>	<u>60,211</u>	<u>375,418</u>	<u>240,938</u>	<u>130,192</u>	<u>63,443</u>	
Fund Balances - Ending	<u>\$ 345,887</u>	<u>\$ 66,867</u>	<u>\$ 78,103</u>	<u>\$ 293,197</u>	<u>\$ 252,147</u>	<u>\$ 149,076</u>	<u>\$ 59,946</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

20,174

The net effect of miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net assets.

(271)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

29,221

VILLAGE OF LAURIUM, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds

Year Ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Municipal Street</u>	<u>Public Ordinance #114</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.								
Compensated absences				3,936				
Accrued interest				222				
Amortization of issuance costs				<u>(267)</u>				3,891
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the amount by which deferred revenues decreased during the year.								<u>(1,390)</u>
Change in Net Assets of Governmental Activities								<u>\$ 51,171</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAURIUM, MICHIGAN

Statement of Net Assets Proprietary Funds

February 29, 2008

	Business-type Activities - Enterprise Funds			
	<u>Multi-Recreation</u>	<u>Sanitation</u>	<u>Water</u>	<u>Total</u>
Assets				
Current Assets:				
Cash	\$ 59,702	\$ 178,747	\$ 104,180	\$ 342,629
Receivables, net:				
Current tax levy		149		149
Delinquent taxes		679		679
Accounts	6,145	17,406	6,363	29,914
Due from other funds		54	1,023	1,077
Inventories	<u>1,065</u>	<u>2,250</u>		<u>3,315</u>
Total Current Assets	<u>66,912</u>	<u>199,285</u>	<u>111,566</u>	<u>377,763</u>
Noncurrent Assets:				
Capital assets not being depreciated	5,500			5,500
Capital assets, net of accumulated depreciation	<u>128,465</u>	<u>46,930</u>	<u>254,477</u>	<u>429,872</u>
Total Noncurrent Assets	<u>133,965</u>	<u>46,930</u>	<u>254,477</u>	<u>435,372</u>
Total Assets	<u>200,877</u>	<u>246,215</u>	<u>366,043</u>	<u>813,135</u>
Liabilities				
Current Liabilities:				
Accounts payable	7,505	5,006	1,023	13,534
Accrued liabilities	533	608		1,141
Due to other funds	277	631		908
Deferred revenues:				
Taxes		655		655
Other		<u>9,070</u>		<u>9,070</u>
Total Current Liabilities	<u>8,315</u>	<u>15,970</u>	<u>1,023</u>	<u>25,308</u>
Net Assets				
Invested in capital assets, net of related debt	133,965	46,930	254,477	435,372
Unrestricted	<u>58,597</u>	<u>183,315</u>	<u>110,543</u>	<u>352,455</u>
Total Net Assets	<u>\$ 192,562</u>	<u>\$ 230,245</u>	<u>\$ 365,020</u>	<u>\$ 787,827</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAURIUM, MICHIGAN

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds

Year Ended February 29, 2008

	Business-type Activities - Enterprise Funds			
	Multi-Recreation	Sanitation	Water	Total
Operating Revenues				
Property taxes	\$	\$ 46,417	\$	\$ 46,417
Charges for services	32,564	99,341	50,494	182,399
Other operating revenue	<u>7,042</u>	<u>226</u>		<u>7,268</u>
Total Operating Revenues	<u>39,606</u>	<u>145,984</u>	<u>50,494</u>	<u>236,084</u>
Operating Expenses				
Cost of sales	5,143		12,276	17,419
Wages & fringe benefits	19,360	40,638		59,998
Administration		7,915	1,126	9,041
Sanitation disposal	186	59,935		60,121
Utilities	18,694			18,694
Supplies & maintenance	7,910	18,952		26,862
Miscellaneous	266	2,604		2,870
Depreciation	<u>11,670</u>	<u>13,870</u>	<u>6,001</u>	<u>31,541</u>
Total Operating Expenses	<u>63,229</u>	<u>143,914</u>	<u>19,403</u>	<u>226,546</u>
Operating Income (Loss)	<u>(23,623)</u>	<u>2,070</u>	<u>31,091</u>	<u>9,538</u>
Nonoperating Revenues (Expenses)				
Special activities (net):				
Daniell Park activities	190			190
George Gipp Rec. Area activities	(3,565)			(3,565)
Sports activities	<u>(1,054)</u>			<u>(1,054)</u>
Total special activities	(4,429)			(4,429)
Contributions	2,575			2,575
Interest income	2,514	8,904	3,989	15,407
Other expense	<u>(571)</u>			<u>(571)</u>
Total Nonoperating Revenues (Expenses)	<u>89</u>	<u>8,904</u>	<u>3,989</u>	<u>12,982</u>
Income (Loss) Before Transfers	(23,534)	10,974	35,080	22,520
Transfers in	<u>15,982</u>			<u>15,982</u>
Change in Net Assets	(7,552)	10,974	35,080	38,502
Total Net Assets – Beginning	<u>200,114</u>	<u>219,271</u>	<u>329,940</u>	<u>749,325</u>
Total Net Assets – Ending	<u>\$ 192,562</u>	<u>\$ 230,245</u>	<u>\$ 365,020</u>	<u>\$ 787,827</u>

The notes to the financial statements are an integral part of this financial statement.

VILLAGE OF LAURIUM, MICHIGAN

Statement of Cash Flows Proprietary Funds

Year Ended February 29, 2008

	Business-type Activities - Enterprise Funds			
	Multi-Recreation	Sanitation	Water	Total
Cash Flows from Operating Activities				
Receipts from customers & users	\$ 38,958	\$ 144,806	\$ 49,888	\$ 233,652
Payments to suppliers	(32,791)	(89,520)	(13,402)	(135,713)
Payments to employees	(20,640)	(41,606)		(62,246)
Net cash provided (used) by operating activities	(14,473)	13,680	36,486	35,693
Cash Flows from Noncapital Financing Activities				
Special activities	(4,429)			(4,429)
Contribution	2,575			2,575
Other expense	(571)			(571)
Transfers from other funds	15,982			15,982
Net cash provided by noncapital financing activities	13,557			13,557
Cash Flows from Capital & Related Financing Activities				
Purchase of capital asset	(2,700)			(2,700)
Cash Flows from Investing Activities				
Interest received	2,514	8,904	3,989	15,407
Net increase (decrease) in cash	(1,102)	22,584	40,475	61,957
Cash – Beginning	60,804	156,163	63,705	280,672
Cash – Ending	\$ 59,702	\$ 178,747	\$ 104,180	\$ 342,629
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (23,623)	\$ 2,070	\$ 31,091	\$ 9,538
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	13,332	13,870	6,001	33,203
(Increase) decrease in receivables	(648)	(1,998)	(606)	(3,252)
(Increase) decrease in due from other funds		4		4
(Increase) decrease in inventories	29	224		253
Increase (decrease) in accounts payable	(2,354)	964		(1,390)
Increase (decrease) in accrued liabilities	(1,280)	(968)		(2,248)
Increase (decrease) in due to other funds	71	(1,306)		(1,235)
Increase (decrease) in deferred revenue		820		820
Net cash provided (used) by operating activities	\$ (14,473)	\$ 13,680	\$ 36,486	\$ 35,693

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Village of Laurium, Michigan (“the Village”) was incorporated in 1895. The Village is governed by an elected seven member council consisting of a president and six trustees. The Village provides services to its residents in many areas including law enforcement, fire protection, street maintenance, sanitation, recreation and community enrichment.

GASB Statement No. 14, *The Financial Reporting Entity*, as amended, contains the standards for defining the governmental financial reporting entity and for identifying which legally separate entities are component units that should be included with another government (usually a primary government) in a financial reporting entity’s financial statements. Requirements for including component units are based primarily on the concept of financial accountability. A primary government is financially accountable if it appoints a voting majority of the organization’s governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Village has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The Village has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The *Local Street Fund* accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The *Municipal Street Fund* accounts for property taxes levied on Village residents that are restricted for use on major or local streets.

The *Public Ordinance #114 Fund* accounts for assets that are restricted by the Village. The assets in this fund can be used for sewer system emergencies or loaned to other funds for equipment purchases. This fund accounts for the activity of the former Sewer Fund.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

The *Public Improvement Fund* accounts for assets that are to be used for equipment purchases or major repairs.

The Village reports the following major proprietary funds:

The *Multi-Recreation Fund* accounts for the recreational activities of the Village. The main activities in this fund are the George Gipp Ice Arena and Complex and the Daniell Park concerts.

The *Sanitation Fund* accounts for the activities of the Village's garbage removal operations.

The *Water Fund* accounts for the activity of the leasing of the Village's water system.

Additionally, the Village reports the following nonmajor governmental funds: Fire Truck, Volunteer Firemen, Debt Service 2000 and Debt Service Fire/Police.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's sanitation function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds relate to charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Village did not have any short-term investments at February 29, 2008.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15th, at which time penalties and interest are assessed.

It is the Village's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Village totaled \$18,772,160, on which ad valorem taxes levied consisted of 10.2652 mills for operating purposes, 2.4634 mills for garbage removal, 4.1060 mills for street maintenance, .9681 mills for snow removal and 1.0000 mill for the purchase of fire apparatus. This resulted in \$192,694 for operating, \$46,237 for garbage removal, \$77,073 for street maintenance, \$18,168 for snow removal and \$18,768 for fire apparatus. These amounts are recognized in the respective General, Proprietary and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

3. Inventories and Prepaid Items

All inventories are valued at lower of cost or market, using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the Village values these capital assets at the estimated fair value of the item at the date of its donation.

Prior to March 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since March 1, 2004 are recorded at cost.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Village during the current fiscal year was \$16,105. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 to 60 years
Site Improvements	20 years
Water Lines	35 to 80 years
Infrastructure	15 to 30 years
Vehicles	5 to 25 years
Office Equipment	8 to 10 years
Computer Equipment	5 years
Office Furnishings	15 years

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

5. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Village does not have a policy to pay any amounts when employees separate from service with the Village. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are deferred and amortized over the life of the related debt. When applicable, bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Encumbrance accounting is not employed in the governmental funds.

B. Excess of Expenditures over Appropriations

For the year ended February 29, 2008, expenditures exceeded appropriations in the General Fund by \$1,564. The overexpenditure was funded by available fund balance. General Fund expenditures did not exceed appropriations in total.

III. Detailed Notes on All Funds

A. Deposits

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village has designated five banks for the deposit of Village funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Village's deposits and investment policy are in accordance with statutory authority.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories (the Village has no investments):

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,075,084	\$ 342,629	\$ 1,417,713

The breakdown between deposits is as follows:

Bank deposits (checking and savings accounts)	\$ 1,416,335
Petty cash and cash on hand	<u>1,378</u>
Total	\$ <u>1,417,713</u>

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The bank balance of the Village's deposits is \$1,438,854, of which \$200,000 is covered by federal depository insurance and \$1,238,854 is collateralized with various bonds held by the pledging financial institution.

B. Capital Assets

Capital asset activity for the year ended February 29, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 47,300	\$	\$	\$ 47,300
Construction in progress	<u>456,244</u>	<u>6,755</u>	<u>(456,244)</u>	<u>6,755</u>
Total capital assets not being depreciated	<u>503,544</u>	<u>6,755</u>	<u>(456,244)</u>	<u>54,055</u>
Capital assets being depreciated:				
Buildings & site improvements	193,000			193,000
Machinery & equipment	1,115,606	30,201	(500)	1,145,307
Vehicles	110,347			110,347
Infrastructure	<u> </u>	<u>526,013</u>	<u> </u>	<u>526,013</u>
Total capital assets being depreciated	<u>1,418,953</u>	<u>556,214</u>	<u>(500)</u>	<u>1,974,667</u>

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation:				
Building & site improvements	(73,660)	(3,060)		(76,720)
Machinery & equipment	(468,932)	(64,380)	229	(533,083)
Vehicles	<u>(45,292)</u>	<u>(19,111)</u>	<u> </u>	<u>(64,403)</u>
Total accumulated depreciation	<u>(587,884)</u>	<u>(86,551)</u>	<u>229</u>	<u>(674,206)</u>
Total capital assets being depreciated, net	<u>831,069</u>	<u>469,663</u>	<u>(271)</u>	<u>1,300,461</u>
Governmental activities capital assets, net	<u>\$1,334,613</u>	<u>\$ 476,418</u>	<u>\$ (456,515)</u>	<u>\$1,354,516</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	<u>\$ 5,500</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,500</u>
Capital assets being depreciated:				
Buildings & site improvements	403,992	2,700		406,692
Water system	401,442			401,442
Machinery & equipment	<u>207,849</u>	<u> </u>	<u> </u>	<u>207,849</u>
Total capital assets being depreciated	<u>1,013,283</u>	<u>2,700</u>	<u> </u>	<u>1,015,983</u>
Accumulated depreciation:				
Building & site improvements	(276,160)	(11,670)		(287,830)
Water system	(140,964)	(6,001)		(146,965)
Machinery & equipment	<u>(135,784)</u>	<u>(15,532)</u>	<u> </u>	<u>(151,316)</u>
Total accumulated depreciation	<u>(552,908)</u>	<u>(33,203)</u>	<u> </u>	<u>(586,111)</u>
Total capital assets being depreciated, net	<u>460,375</u>	<u>(30,503)</u>	<u> </u>	<u>429,872</u>
Business-type activities capital assets, net	<u>\$ 465,875</u>	<u>\$ (30,503)</u>	<u>\$</u>	<u>\$ 435,372</u>

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 3,289
Public safety	36,312
Highways & streets	16,952
Public works	<u>29,998</u>

Total depreciation expense-governmental activities \$ 86,551

Business-type Activities:

Multi-Recreation	\$ 13,332
Sanitation	13,870
Water	<u>6,001</u>

Total depreciation expense-business-type activities \$ 33,203

Construction Commitment

The Village has an active construction project as of February 29, 2008. The project includes street reconstruction. At year end the Village's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street reconstruction and storm sewers	<u>\$ 6,755</u>	<u>\$ 166,300</u>

The commitment for the street reconstruction is being financed by approximately \$125,000 in federal funds, \$31,250 in state funds and the balance coming from Village funds.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of February 29, 2008 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Major Street	\$ 10,471
	Local Street	10,653
	Multi-Recreation	277
	Sanitation	631

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

Local Street	General	32
Municipal Street	General	507
	Major Street	8,390
	Local Street	2,607
Fire Truck	General	22
Sanitation	General	54
Water	General	<u>1,023</u>
Total		<u>\$ 34,667</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Advances From/To Other Funds

Public Ordinance #114	General	<u>\$ 8,874</u>
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The outstanding advance between funds is the result of a loan from Public Ordinance #114 Fund to the General Fund for the purchase of a police vehicle.

Interfund Transfers

	Transfers In					Total
	Major Street	Local Street	Public Improvement	Nonmajor Governmental	Multi-Recreation Enterprise	
Transfers Out:						
Governmental Funds						
General	\$	\$	\$ 34,500	\$ 6,268	\$ 15,982	\$ 56,750
Major Street		32,000		5,850		37,850
Local Street				16,650		16,650
Municipal Street	90,000	130,000				220,000
Nonmajor Governmental Funds				<u>16,875</u>		<u>16,875</u>
Total	<u>\$ 90,000</u>	<u>\$162,000</u>	<u>\$ 34,500</u>	<u>\$ 45,643</u>	<u>\$ 15,982</u>	<u>\$ 348,125</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal & interest payments become due, and 2) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

D. Long-Term Debt

The Village issues general obligation bonds to provide funds for the acquisition and construction of infrastructure or major equipment purchases.

General obligation bonds and loans are direct obligations and pledge the full faith and credit of the Village. Contractual agreements and installment purchase agreements are also general obligations of the Village.

Bond and contractual activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
General Obligations Bonds							
\$242,000 2001 Michigan							
Transportation Fund Bonds	4.75%	4-1-2016	\$ 180,000	\$	\$ (14,000)	\$ 166,000	\$ 15,000
Loan – Fire/Police vehicles	4.38%	12-1-2019	<u>169,281</u>	<u> </u>	<u>(15,221)</u>	<u>154,060</u>	<u>11,000</u>
Subtotal bond & loan obligations			349,281		(29,221)	320,060	26,000
Other Long-term Obligations							
Compensated absences			<u>31,142</u>	<u> </u>	<u>(3,936)</u>	<u>27,206</u>	<u> </u>
Total Governmental Activities			<u>\$ 380,423</u>	<u>\$</u>	<u>\$ (33,157)</u>	<u>\$ 347,266</u>	<u>\$ 26,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End February 28,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 26,000	\$ 14,277
2010	27,500	13,059
2011	29,000	11,771
2012	30,500	10,414
2013	31,000	9,012
2014-2018	157,500	22,188
2019-2020	<u>18,560</u>	<u>881</u>
Total	<u>\$ 320,060</u>	<u>\$ 81,602</u>

During the current fiscal year the Village paid \$16,105 in interest expense. The entire amount was expensed.

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

E. Leases

The water line lease and operating agreement between the Village of Laurium, Michigan and Michigan-American Water Company is dated October 1, 1983. Annual rental is based on 12 ½% of the net revenue generated by Michigan-American Water Company from Village residents. This rental income is recorded in the Water Fund and amounts to \$38,218 for the year ended February 29, 2008.

IV. Other Information

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and employee injuries (workers' compensation), as well as medical benefits provided to employees. All risk of loss is covered by commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

B. Related Organizations

The Laurium Housing Commission is a related organization which is excluded from the financial reporting entity because the Village's accountability does not extend beyond making appointments. The Laurium Housing Commission provides low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development. The Village has no influence over the management, budget or policies of the Commission. The Commission reports independently and a copy of its audited financial statement is available from them.

The Village has established, as a legal separate organization, the Village of Laurium Hospital Finance Authority (the "Authority") to allow the Keweenaw Memorial Medical Center to obtain financing at a lower rate than it could without going through the Authority. The Authority is governed by a three person board who are appointed by the Village. The Village's accountability does not extend beyond this representation and making these appointments. The board adopts rules, policies and procedures deemed necessary for the conduct of its business.

C. Jointly Governed Organization

The Village, in conjunction with three other governmental entities, created the North Houghton County Water & Sewage Authority ("the Authority") to provide wastewater collection, transmission and treatment. The Authority's board is comprised of seven members, two of which are from the Village. The Authority's board has control over its own budgeting and financing obligations. All of the financial operations of the Authority are recorded in the records

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

of the Authority. It is expected that the revenues generated from the Authority system users will be adequate to operate the sewage system and pay back the related construction debt and interest of the Authority. Separately issued financial statements are available from the Authority.

C. Employee Retirement and Benefit Systems

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan. All permanent employees of the Village are eligible to participate in the plan upon working at least 10 full work days in a given month. As of December 31, 2007, the most recent report available, the Village had 12 active covered employees, 2 vested former members and 12 retirees and beneficiaries. The annual covered payroll at that date totaled \$361,316 and the Village's total payroll for all employees was \$444,297. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's competitive bargaining units and requires no contribution from the employees and 18.79% and 16.22% of gross wages for general, and police/fire employees, respectively.

Annual Pension Costs – For the year ended February 29, 2008 the Village's annual pension cost of \$71,207 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal actuarial method. Significant actuarial assumptions used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases per year; and (iii) 3 to 4% per year cost of living adjustments. Both determined using techniques that smooth the effect of short-term volatility over a ten-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 28 years.

Three year trend information as of December 31 follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual Pension Cost	\$ 56,088	\$ 67,175	\$ 71,207
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	889,347	943,582	1,009,083

VILLAGE OF LAURIUM, MICHIGAN

Notes to Financial Statements

February 29, 2008

Actual Accrued Liability	1,570,335	1,529,477	1,581,898
Unfunded AAL	680,988	585,895	572,815
Funded Ratio	57%	62%	64%
Covered Payroll	362,827	369,110	361,316
UAAL as a Percentage of Covered Payroll	188%	159%	159%

D. Deferred Compensation Plan

The Village offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their

beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Village's financial statements.

E. Commitment and Contingencies

The Village receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Village management, such disallowance, if any, will not be significant to the Village's financial statements.

Required Supplementary Information

VILLAGE OF LAURIUM, MICHIGAN

**Budgetary Comparison Schedule
General Fund
Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 297,365	\$ 297,365	\$ 297,365
Resources (Inflows):			
Taxes	194,000	200,700	201,712
Licenses & permits		190	285
Intergovernmental revenues:			
Federal	1,200	1,200	1,148
State	303,000	293,600	293,152
Charges for services	44,800	48,100	50,702
Fines & forfeits	3,915	3,935	3,368
Interest & rents	228,000	303,118	329,170
Other revenues	<u>87,900</u>	<u>95,300</u>	<u>99,001</u>
Amounts Available for Appropriation	<u>1,160,180</u>	<u>1,243,508</u>	<u>1,275,903</u>
Charges to Appropriations (Outflows):			
General government	87,495	79,495	68,622
Public safety	233,198	235,700	221,001
Public works	174,765	205,575	197,311
Parks & recreation		5,350	4,671
Other	376,600	387,200	381,180
Debt service - interest		500	481
Transfers out	<u>17,553</u>	<u>55,186</u>	<u>56,750</u>
Total Charges to Appropriations	<u>889,611</u>	<u>969,006</u>	<u>930,016</u>
Ending Budgetary Fund Balance	<u>\$ 270,569</u>	<u>\$ 274,502</u>	<u>\$ 345,887</u>

VILLAGE OF LAURIUM, MICHIGAN

**Budgetary Comparison Schedule
Major Street Fund
Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 78,110	\$ 78,110	\$ 78,110
Resources (Inflows):			
Intergovernmental revenues:			
Federal		55,000	45,664
State	196,900	201,800	220,460
Interest	4,100	5,100	4,972
Transfers in	<u>70,000</u>	<u>90,000</u>	<u>90,000</u>
Amounts Available for Appropriation	<u>349,110</u>	<u>430,010</u>	<u>439,206</u>
Charges to Appropriations (Outflows):			
General government	10,300	10,300	10,040
Highways & streets	209,200	265,900	247,925
Capital outlay	1,000	88,000	76,524
Transfers out	<u>42,100</u>	<u>37,900</u>	<u>37,850</u>
Total Charges to Appropriations	<u>262,600</u>	<u>402,100</u>	<u>372,339</u>
Ending Budgetary Fund Balance	<u>\$ 86,510</u>	<u>\$ 27,910</u>	<u>\$ 66,867</u>

VILLAGE OF LAURIUM, MICHIGAN

**Budgetary Comparison Schedule
Local Street Fund
Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 60,211	\$ 60,211	\$ 60,211
Resources (Inflows):			
Intergovernmental revenue – State	83,900	86,900	86,723
Interest	1,900	2,800	2,925
Transfers in	<u>96,000</u>	<u>162,000</u>	<u>162,000</u>
Amounts Available for Appropriation	<u>242,011</u>	<u>311,911</u>	<u>311,859</u>
Charges to Appropriations (Outflows):			
General government	7,100	7,100	6,985
Highways & streets	190,150	225,900	210,121
Transfers out	<u>17,300</u>	<u>16,700</u>	<u>16,650</u>
Total Charges to Appropriations	<u>214,550</u>	<u>249,700</u>	<u>233,756</u>
Ending Budgetary Bund Balance	<u>\$ 27,461</u>	<u>\$ 62,211</u>	<u>\$ 78,103</u>

VILLAGE OF LAURIUM, MICHIGAN

**Budgetary Comparison Schedule
Municipal Street Fund
Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 375,418	\$ 375,418	\$ 375,418
Resources (Inflows):			
Taxes	114,900	118,000	119,093
Interest	<u>20,000</u>	<u>19,000</u>	<u>20,051</u>
Amounts Available for Appropriation	<u>510,318</u>	<u>512,418</u>	<u>514,562</u>
Charges to Appropriations (Outflows):			
General government	1,400	1,400	1,365
Transfers out	<u>130,000</u>	<u>220,000</u>	<u>220,000</u>
Total Charges to Appropriations	<u>131,400</u>	<u>221,400</u>	<u>221,365</u>
Ending Budgetary Fund Balance	<u>\$ 378,918</u>	<u>\$ 291,018</u>	<u>\$ 293,197</u>

VILLAGE OF LAURIUM, MICHIGAN

**Budgetary Comparison Schedule
Public Ordinance #114 Fund
Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 240,938	\$ 240,938	\$ 240,938
Resources (Inflows):			
Interest	<u>11,000</u>	<u>12,000</u>	<u>12,304</u>
Amounts Available for Appropriation	251,938	252,938	253,242
Charges to Appropriations (Outflows):			
General government	<u>1,150</u>	<u>1,150</u>	<u>1,095</u>
Ending Budgetary Fund Balance	<u>\$ 250,788</u>	<u>\$ 251,788</u>	<u>\$ 252,147</u>

VILLAGE OF LAURIUM, MICHIGAN

**Budgetary Comparison Schedule
Public Improvement Fund
Year Ended February 29, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 130,192	\$ 130,192	\$ 130,192
Resources (Inflows):			
Interest	6,400	6,400	6,442
Transfers in	<u> </u>	<u>34,500</u>	<u>34,500</u>
Amounts Available for Appropriation	<u>136,592</u>	<u>171,092</u>	<u>171,134</u>
Charges to Appropriations (Outflows):			
General government	1,100	1,000	940
Capital outlay	<u>15,000</u>	<u>36,200</u>	<u>21,118</u>
Total Charges to Appropriations	<u>16,100</u>	<u>37,200</u>	<u>22,058</u>
Ending Budgetary Fund Balance	<u>\$ 120,492</u>	<u>\$ 133,892</u>	<u>\$ 149,076</u>

Other Supplementary Information

VILLAGE OF LAURIUM, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds February 29, 2008

	Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds
	Fire Truck	Volunteer Firemen	Total	Debt 2000	Fire/Police	Total	
Assets							
Cash	\$ 51,241	\$ 8,065	\$ 59,306	\$ 542	\$ 107	\$ 649	\$ 59,955
Receivables, net:							
Current tax levy	60		60				60
Delinquent taxes	258		258				258
Due from other funds	<u>22</u>		<u>22</u>				<u>22</u>
Total Assets	<u>\$ 51,581</u>	<u>\$ 8,065</u>	<u>\$ 59,646</u>	<u>\$ 542</u>	<u>\$ 107</u>	<u>\$ 649</u>	<u>\$ 60,295</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$	\$ 100	\$ 100	\$	\$	\$	\$ 100
Deferred revenue – taxes	<u>249</u>		<u>249</u>				<u>249</u>
Total Liabilities	<u>249</u>	<u>100</u>	<u>349</u>				<u>349</u>
Fund Balances							
Reserved for debt service				542	107	649	649
Unreserved, undesignated	<u>51,332</u>	<u>7,965</u>	<u>59,297</u>				<u>59,297</u>
Total Fund Balances	<u>51,332</u>	<u>7,965</u>	<u>59,297</u>	<u>542</u>	<u>107</u>	<u>649</u>	<u>59,946</u>
Total Liabilities and Fund Balances	<u>\$ 51,581</u>	<u>\$ 8,065</u>	<u>\$ 59,646</u>	<u>\$ 542</u>	<u>\$ 107</u>	<u>\$ 649</u>	<u>\$ 60,295</u>

VILLAGE OF LAURIUM, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended February 29, 2008

	Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds
	Fire Truck	Volunteer Firemen	Total	Debt 2000	Fire/Police	Total	
Revenues							
Taxes	\$ 18,837	\$	\$ 18,837	\$	\$	\$	\$ 18,837
Interest	2,575	26	2,601	65	48	113	2,714
Other revenues		2,844	2,844				2,844
Total Revenues	<u>21,412</u>	<u>2,870</u>	<u>24,282</u>	<u>65</u>	<u>48</u>	<u>113</u>	<u>24,395</u>
Expenditures							
Current							
General government				400		400	400
Public safety		2,332	2,332				2,332
Debt service							
Principal				14,000	15,221	29,221	29,221
Interest				8,218	7,406	15,624	15,624
Capital outlay	<u>9,083</u>		<u>9,083</u>				<u>9,083</u>
Total Expenditures	<u>9,083</u>	<u>2,332</u>	<u>11,415</u>	<u>22,618</u>	<u>22,627</u>	<u>45,245</u>	<u>56,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,329</u>	<u>538</u>	<u>12,867</u>	<u>(22,553)</u>	<u>(22,579)</u>	<u>(45,132)</u>	<u>(32,265)</u>
Other Financing Sources (Uses)							
Transfers in	516		516	22,500	22,627	45,127	45,643
Transfers out	<u>(16,875)</u>		<u>(16,875)</u>				<u>(16,875)</u>
Total Other Financing Sources (Uses)	<u>(16,359)</u>		<u>(16,359)</u>	<u>22,500</u>	<u>22,627</u>	<u>45,127</u>	<u>28,768</u>
Net Change in Fund Balances	<u>(4,030)</u>	<u>538</u>	<u>(3,492)</u>	<u>(53)</u>	<u>48</u>	<u>(5)</u>	<u>(3,497)</u>
Fund Balances – Beginning	<u>55,362</u>	<u>7,427</u>	<u>62,789</u>	<u>595</u>	<u>59</u>	<u>654</u>	<u>63,443</u>
Fund Balances – Ending	<u>\$ 51,332</u>	<u>\$ 7,965</u>	<u>\$ 59,297</u>	<u>\$ 542</u>	<u>\$ 107</u>	<u>\$ 649</u>	<u>\$ 59,946</u>

Federal Programs

VILLAGE OF LAURIUM, MICHIGAN

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Village Council
Village of Laurium, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Laurium, Michigan, as of and for the year ended February 29, 2008 which collectively comprise the Village of Laurium, Michigan's basic financial statements, and have issued my report thereon dated July 18, 2008. The report on the basic financial statements was qualified because the procedures used to collect cash receipts from sales and admissions at fund raising events, and the lack of evidential matter with respect to those cash receipts, did not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements. Except as discussed in the preceding sentence, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Village of Laurium, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Village of Laurium, Michigan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village of Laurium, Michigan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Laurium, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Laurium, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Laurium, Michigan's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses as items 08-01 and 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Laurium, Michigan's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that neither of the significant deficiencies described is a material weakness.

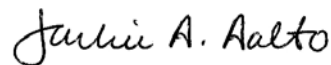
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Laurium, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Village of Laurium, Michigan in a separate letter dated July 18, 2008.

The Village of Laurium, Michigan's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Village of Laurium, Michigan's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Village council, management, federal and state awarding agencies, and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jackie A. Aalto, CPA

Calumet, Michigan
July 18, 2008

VILLAGE OF LAURIUM, MICHIGAN

Schedule of Findings and Responses

Year Ended February 29, 2008

FINDINGS – FINANCIAL STATEMENT AUDIT

08-01 Ability to Prepare Financial Statements

Criteria: Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Village rests with the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Condition: Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: The condition noted in the preceding paragraph exists at the Village of Laurium, Michigan. The cause for this condition is because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditor than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Effect: As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Village's annual financial statements and notes to the financial statements in accordance with GAAP. The Village relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Response: Due principally to the small size of the Village and the limited funds available to the Village, the hiring of accounting personnel capable of writing the Village's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America is cost prohibitive.

08-02 Lack of Segregation of Duties

Criteria: Management is responsible for protecting the Village's assets. As such, a proper segregation of duties is needed to ensure protection and accurate financial reporting. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

VILLAGE OF LAURIUM, MICHIGAN

Schedule of Findings and Responses

Year Ended February 29, 2008

Cause: The Village has a limited number of personnel available to adequately segregate all incompatible duties.

Effect: As a result of this condition, the same individuals are responsible for all accounting functions. The result is the possibility that intentional or unintentional errors could be made and not be detected.

Response: As noted above, due to the small size of the Village and the limited funds of the Village, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the Village's assets. To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the Village Council assumes a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

To the Village Council
Village of Laurium, Michigan

In planning and performing my audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Laurium, Michigan as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered the Village of Laurium, Michigan's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above. Please refer to the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards* for references to deficiencies in internal control that I consider to be significant deficiencies.

In addition, I noted other matters involving the internal control and its operations that are reported below:

1. P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the current fiscal year, expenditures exceeded appropriations in the line item of transfers in the General Fund by \$1,564. Overall, total budgeted expenditures did not exceed total actual expenditures. I recommend that the Village Council monitor actual and budgeted expenditures to ensure compliance with State law.
2. Currently, the Village does not annually authorize check signers. A current listing of authorized check signers, which is approved annually by the Village Council, should be maintained to ensure proper authorization of all disbursements. I recommend the listing be periodically reviewed and updated each time a change in check signers occurs and that the bank be promptly and formally notified of any change.

3. I recommend that computer files be backed up at least weekly, be properly labeled and be stored off premises in a fireproof vault to ensure safe storage of computer information.

This communication is intended solely for the information and use of the Village council, management, federal and state awarding agencies, and if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to thank the Village personnel for their courtesy and assistance during the audit. I appreciate the opportunity to serve as your auditor. If there are any questions about your financial report or the above comments and recommendations, I would be happy to discuss them at your convenience.

A handwritten signature in cursive script that reads "Jackie A. Aalto".

Jackie A. Aalto, CPA

Calumet, Michigan
July 18, 2008